

**STATE OF THE COMMONWEALTH**

**House Chambers**

**January 14, 2008**

**7 p.m.**

*Governor Steve Beshear*

Mr. President, Mr. Speaker, Distinguished members of the Kentucky General Assembly, Lt. Governor Mongiardo, Constitutional Officers, Honorable Members of the Court of Justice, honored guests, including Kentucky's First Lady and my fellow Kentuckians.

I stand before you in these financially demanding times proud to be your Governor and proud to be a Kentuckian.

Those of us in this Capitol have accepted a responsibility of public service. None of us takes it lightly and each of us is motivated from the heart.

I know each of you feels as I do – grateful for the opportunity we have to give something back to this great Commonwealth.

The towering statue of Abraham Lincoln watching over the entrance hall of this majestic structure has seen generations of Kentucky leaders grapple with the problems of their day.

President Lincoln -- whose birth in Kentucky nearly 200 years ago we begin celebrating next month -- is a prime example of one who deeply believed in his cause. But he also believed – as much as anyone ever has – that we are stronger together than we are alone.

None of us has all the answers. What we do have are our principles.

I will never hesitate to express what I believe, and I expect the same from you. But I also pledge to listen.

We will not always agree, but we must join together to get the important work of Kentucky done!

Only through the collective efforts of everyone in this room – and the citizens all across the Commonwealth who have entrusted us with this responsibility – can we meet the significant challenges we face, and then move Kentucky forward.

Frankly, the state of this Commonwealth is not acceptable!

However, despite obvious problems, I remain filled with hope and optimism for the future, because I know that we can meet this test with determination, honesty and unity.

We're going to need each of those qualities, and more, in the weeks and months ahead.

It is my duty and my responsibility to inform you that we have some tough times ahead. The revenue outlook is grim.

Because of the economic slowdown, the cooling of the housing market, oil prices and a gap between what we spend and what we earn, we are facing an unprecedented budgetary shortfall.

While this is a situation I inherited, it is my job to fix it – and that is exactly what I intend to do.

It is not a time for whining or “woe is us” – it is a time for leadership, bold action and temporary cost cutting.

We have two options: raise taxes, or cut spending.

If the Commonwealth of Kentucky were a family, and we realized we were spending more than we could afford, we'd have no choice but to tighten our belts.

Well, even though state government is not a family, it's about time we began acting more like one. After all, it is the people's money, and I know you all agree that we need to be as efficient as possible when it comes to taxpayer dollars.

Raising taxes is and will continue to be a last resort as long as I'm Governor.

So, that leaves cutting government spending. We can wring more efficiency out of state government and I intend to do just that.

It's common sense, but it will require some painful sacrifices. I intend to be a fiscally responsible steward of this government. I would much prefer to be standing here today talking to you about all the new investments we're making, but much of that will have to wait for another day.

In the short-term, this budget crisis will unfortunately reduce our ability to make major new investments in some important priorities – my priorities.

However, the need to lower prescription drug costs for our senior citizens will not go away!

The need to increase college aid and job training will not go away!

The need to send colleges and universities better prepared students will not go away!

The need to invest in new 21st century jobs will not go away.

And, I remain fully committed to those priorities.

Ironically, the revenue situation I inherited becomes a golden opportunity to change the way we do business in Kentucky.

It is an opportunity to make every state agency leaner, more efficient and more responsive.

It is an opportunity to begin preparing Kentucky to compete in the new economy.

It is a way to focus on economic development that will create a stronger economy with jobs of the future rather than those of the past.

As I said in my inaugural address only a few weeks ago, we have an opportunity to be America's next frontier.

Kentuckians are blessed with a strong work ethic.

We are blessed with natural resources just waiting for conscientious investments from both the public and private sectors.

We are blessed with unique cultures, energy resources, some Fortune 500 companies, an equine industry of immense importance and a thriving arts scene.

We are blessed with a sound agricultural community that is also focusing ahead rather than behind. Though its size may have diminished somewhat, the end product has been remarkable.

We are blessed with dedicated teachers and administrators in our K-12 educational system, and with institutions of higher learning committed to excellence.

We are blessed with patriots from all branches of the military as evidenced by Kentucky's contributions to the global war on terrorism.

The service of our National Guard in these perilous times merits our deepest appreciation.

Yet, right now, we're falling farther behind. Today, the Commonwealth still lacks the necessary economic infrastructure to be competitive in the global economy.

Our people also lack trust in their government, and it is critical that trust and credibility be restored if we're to accomplish anything else.

That's why I announced just last week a comprehensive ethics package that includes a Constitutional amendment to limit a Governor's power to pardon.

It also reduces the Governor's influence in making appointments to the Executive Branch Ethics Commission and requires more disclosure of donations to a public official's legal defense fund while banning lobbyists and those doing business with the State from contributing.

I am hopeful that these measures will restore some of that trust in government, which is so critical to our success.

This legislation has bi-partisan support. And as I have been saying for months, it shouldn't matter if an idea is a Democratic or a Republican idea, as long as it's a good idea that makes a positive difference for Kentucky.

It is time to take full advantage of the untapped resources of our people and use them to help Kentucky become America's next frontier.

That is our best hope of competing, not only with our neighbors, but also with the rest of the country and the world.

As we examine the condition of our State, we find many positive aspects, but unfortunately, there are also major concerns.

Last year one report ranked us 47th worst in overall innovation capacity. Another ranked Kentucky 49th out of the 50 states on economic dynamics.

And a study commissioned by the Kentucky Science and Technology Corporation suggests that our present "business as usual" course would take the Commonwealth more than 150 years just to reach the current national average in per capita income.

Absent a bold new direction of innovation, creativity and 21st century thinking, Kentucky stands little chance of being economically successful in the new economy.

Is anyone here willing to accept this as our destiny? I certainly am not!

The days of fretting about how we are doing against border states are long over and a waste of time.

Something has to change. The ramifications are huge and will help determine how successful Kentucky becomes in the future.

Therefore, re-engineering Kentucky's economy from within must be among the highest priorities.

If we do this, we will be able to afford additional investments in education.

We'll be able to make health care accessible to all.

We'll be able to invest more in job training.

We will be better prepared to attack the large unfunded liability in our State's retirement systems.

And our young people will be more likely to stay in Kentucky, thus keeping our families together!

Ideas are the foundation of any new economy.

Research and technology, biotechnology, nanotechnology, alternative energy -- here are areas we must compete in, especially with energy, given our natural resources.

Encouraging new ideas, entrepreneurs and creative thinkers is what others have been doing with great results. Kentucky has no more time to play catch-up.

In Shakespeare's Julius Caesar, Brutus had the right idea when he said:

There is a tide in the affairs of men.  
Which, taken at the flood, leads on to fortune;  
Omitted, all the voyage of their life...  
Is bound in shallows and in miseries.  
On such a full sea are we now afloat,  
And we must take the current when it serves,  
Or lose our ventures.

Brutus was referring to a battle, but what we face is no less daunting.

Unless we get our financial house in order and chart a new course,  
Kentucky stands little chance of succeeding in this new economy.

Gary Hamel, the internationally known business author and innovation strategist, in his book, "Leading The Revolution," targets specific words as keys to success. Those words? Dream, create, explore, invent, pioneer, imagine.

These are qualities that once were associated with Kentucky and Kentuckians. And they can be again!  
It's time to recapture that spirit and create a new Kentucky.

This applies to state government as well. Government can and must be more accountable, more efficient and more innovative.

That's why we will be looking for good ideas from every possible source, especially from within state government.

We're looking for results through creativity, economic savings and efficiency!

Whether you're a state employee or an average citizen, if you have an idea, please contact us. No idea is too big or too small if it will help to make our government work better.

In 2008 and beyond, the only true long-term advantage any organization or government has is to be on a sound financial footing and to out-think the competition.

If not, you're doomed to mediocrity.

As I look at the state of the Commonwealth I see far too many Kentuckians on Medicaid.

I see a growing drug problem in the smallest communities as well as our largest cities.

I see basic service needs going unmet.

I see infrastructure neglect demanding solutions.

I see the fears of so many elderly who aren't sure whether they can afford a decent meal or essential prescriptions.

I see unlimited requirements and painfully limited resources.

But I also see something else.

I see committed Kentuckians who want change.

I see opportunities, not barricades.

I see the potential for cooperation, not partisan bickering.

I see a budding realization that we must generate more investments and jobs from existing businesses and pave the way to create new industries and businesses. We must better utilize our research institutions to encourage the growth of the industries of the future.

Success today is not about slogans or a few additions to our industrial base.

Rather it's about a top-to-bottom infusion of imagination – a different way of thinking about things -- from economics and government management to education and transportation.

It's about helping our existing companies do better and grow more.

It's about attracting new talent while keeping our own right here at home.

It's about creating a culture of invention, entrepreneurship and ingenuity.

Silicon Valley, North Carolina's research triangle, Northern Virginia's high-tech corridor.

These areas are engines of economic growth for their states.

They are engines of job creation and wealth.

A growing number of countries overseas are being reinvented through innovation and fueled by imagination. Their governments have changed philosophies, with leaders willing to think more broadly while making investments in the future.

Yes, I have been handed an unprecedented financial problem to deal with, but the silver lining is that it will force us to change for the better, and grow.

If we can show Kentuckians that we can balance the budget in tough times and once again place Kentucky on a sound financial foundation, that we're changing the way their government operates, that we're more accountable, and are putting the people first, then we've made a solid start.

This crisis can indeed be a positive turning point for Kentucky!

Let me make one thing clear... the status quo is not an option and it is not one my administration will tolerate.

Yes, a severe challenge does confront us. A challenge for all of us to broaden our thinking, to consider new ideas and work together in moving Kentucky forward.

My fellow Kentuckians, if we all work together, there is no obstacle that can stop us. If we all work together, then the state of our Commonwealth will become very strong.

Very strong indeed.

Thank you, God bless and goodnight.

###